BEFORE THE ENERGY COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of: Exploring Issues Associated with Implementation and Distribution Planning of Distributed Generation	Docket Nos. 04-DIST-GEN-1 and 04-IEP-1

COMMENTS OF THE COGENERATION ASSOCIATION OF CALIFORNIA AND THE ENERGY PRODUCERS AND USERS COALITION ON THE COMMITTEE FINAL REPORT RECOMMENDED CHANGES TO INTERCONNECTION RULES

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The Cogeneration Association of California[1] (CAC) and the Energy Producers and Users Coalition[2] (EPUC; jointly, CAC/EPUC) submit these comments on the Committee Final Report (Report) published January 6, 2005. The Report recommends certain changes to interconnection rules for installations of customer generation and gives the needed policy direction on when utility net generation metering may be required. These comments are submitted to the California Energy Commission (Commission) pursuant to the posted schedule in the notice of committee hearing in the above-noted docket.

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[1] CAC represents the power generation, power marketing and cogeneration operation interests of the following entities: Coalinga Cogeneration Company, Mid-Set Cogeneration Company, Kern River Cogeneration Company, Sycamore Cogeneration Company, Sargent Canyon Cogeneration Company, Salinas River Cogeneration Company, Midway Sunset Cogeneration Company and Watson Cogeneration Company.

[2] EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, BP America Inc. (including Atlantic Richfield Company), Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power and Gas Services Inc., Shell Oil Products US, THUMS Long Beach Company, Occidental Elk Hills, Inc., and Valero Refining Company - California.

The Report recommends thoughtful and balanced resolutions of the interconnection issues facing the Commission, and in particular, the net generation metering issue. The well-reasoned, thorough determinations made by the Committee should be adopted by the Commission. In particular, the recommendation that net generation meters only be required where a ratepayer-funded incentive payment or a policy-based tariff exemption is provided is reasonable and evenhanded. This recommendation complies with the law, administrative agency decisions, and existing utility tariffs. It also addresses both the added cost related to such metering and the intrusion onto the customer's property resulting from such metering. Most critically, it recognizes the customer's right to protection for confidential and commercially sensitive information.

The description of the recommendation, however, may benefit from minor clarification. Currently, the recommendation states, "*NGOM is required when the customer receives publicly-funded incentive payments and/or specific tariff exemptions*." (Report, at 17.) The relevant substantive discussion in the Report specifically references the Self Generation Incentive Program (SGIP) and the exemption from standby charges for Distributed Energy Resources (DER), as defined in the Public Utilities Code § 353.15. The tariff exemption for standby charges for DER is, similar to the SGIP program, based in policy determinations to promote and incent these generating resources. Also, such policy-based tariff exemptions, like SGIP incentive payments, result in additional costs to be borne by ratepayers. The recommendation should clarify that it is policy based tariff-exemptions that trigger a net generation metering requirement (<u>additions underlined</u>):

> *NGOM is required when the customer receives publicly-funded incentive payments and/or specific<u>, policy-based</u> tariff exemptions, <u>i.e., the standby charge exemption pursuant to a customer's status as a Distributed Energy Resource, as defined by Public Utilities Code §353.1</u>*

This clarification would ensure that the net generation metering requirement is not imposed on customer generation receiving tariff exemptions based not in policy but directly on cost causation.

Importantly, the customer generation departing load exemption from Department of Water Resources (DWR) Power Charge is not based on a policy determination. Rather, it is based directly and solely on cost causation. **No costs** attributable to customer generation departing load are shifted to bundled customers by the exemption from the DWR Power Charge. Customer generation departing load customers' exemptions from DWR Power Charges do not create any policy burdens to be borne by other ratepayers. The decision to exempt customer generation departing load customers from the DWR Power Charge is not based in policy. The California Public Utilities Commission (CPUC) clearly states, *"Granting exceptions to certain portions of the CRS for customer generation up to 3000 MW **<u>will not result in any cost-shifting among</u>** customers, since costs for those MW were not incurred by DWR."* (D.03-04-030, at 61 (*mimeo*)(emphasis added).) Therefore, there is no policy burden to be borne by other ratepayers related to this exemption.

The CPUC has recognized the fact that customer generation departing load was taken into account by DWR. DWR factored into their forecast that a certain portion of load would depart utility service to be served by customer generation; therefore DWR did not enter power purchase agreements to serve customer generation departing load.[3] This is why the CPUC provided the exemption for these customers from the DWR Power Charge. Further, the megawatt cap set by the CPUC on the exemption from DWR Power Charges *"mitigate[s] the risk of cost-shifting."* (D.03-04-030, at 54, *mimeo.*) Customer generation departing load is therefore not associated with any cost shift to or policy burden on other customers. Therefore, and consistent with the CPUC decision and order on the metering requirements for the departing load CRS, this tariff exemption should not trigger a net generation metering requirement.

The Committee suggested that the CPUC consider clarification of its intent regarding the order to continue the use of estimation of customers' departing load Cost Responsibility Surcharge (CRS) for billing purposes. As noted above, the CRS tariff exemption is based in cost-causation, not policy, and as such, should not trigger a net generation metering requirement. Moreover, Resolution E-3831 provides the following discussion:

> *Utility tariffs have provisions for third party metering, as well as for load estimation for use in billing the CTC. These provisions are similarly workable for billing the CG CRS, as proposed by SCE and SDG&E.* ***PG&E's argument about the lack of applicability to partial load departure is not convincing, as existing tariffs are also workable for such instances****. Therefore, we reject PG&E's new provision for measuring CG load and instead direct that existing Utilities' Tariff Provisions for Measuring CTC be Applied to CG.*

ED Resolution E-3831, at 9 (emphasis added). The Resolution continues:

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[3] *See* D.03-04-030, at 54 (*mimeo*).

> *Utility tariff provisions for measuring* ***and estimating load*** *for use in billing the CTC* ***are reasonable for billing the CRS****, as proposed by SCE and SDG&E*.

ED Resolution E-3831, at 26, Finding 6 (emphasis added). Finally, the Resolution specifically orders:

> *Utility tariff provisions for measuring and* ***estimating departed load for use in billing Tail CTC <u>shall be used</u> for billing the CG CRS****.*

Id., at 28, Ordering Paragraph 3 (emphasis added). The CPUC unanimously adopted this Resolution on July 8, 2004. CAC/EPUC request that the Energy Commission remove the recommendation that the CPUC "*clarify its intent for customers subject to the DL-CRS tariff*." (Report, at 17.) The CPUC's intent and accompanying rationale are clearly expressed in both D.03-04-030 and Res. E-3831.

CAC/EPUC respectfully urge the Energy Commission to adopt the balanced approaches in the Final Report with the minor modifications proposed above.

Dated: January 20, 2005

Respectfully submitted,

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